

NEW APPLICATION

ORIGINAL



0000012999

BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER
CHAIRMAN
WILLIAM A. MUNDELL
COMMISSIONER
JEFF HATCH-MILLER
COMMISSIONER
MIKE GLEASON
COMMISSIONER
KRISTIN K. MAYES
COMMISSIONER

Arizona Corporation Commission

DOCKETED

NOV - 4 2004

DOCKETED BY

CHL

AZ CORP COMMISSION
DOCUMENT CONTROL

2004 NOV - 4 P 4: 35

RECEIVED

E-01773A-04-0793

Docket No. E-01773A- - -

IN THE MATTER OF APPLICATION OF THE
ARIZONA ELECTRIC POWER COOPERATIVE,
INC. FOR FINANCING APPROVAL

APPLICATION

Pursuant to A.R.S. 40-301, *et. seq.*, the Arizona Electric Power Cooperative, Inc.

("AEPCO"), by and through its attorneys undersigned, in support of its Application states as follows:

1. AEPCO is an Arizona non-profit electric generation cooperative which supplies the power needs of its Class A, Class B and Class C members.

2. AEPCO's Board of Directors is comprised of representatives of its members.

Attached hereto and incorporated herein by this reference as Exhibit A is the resolution of the AEPCO Board of Directors approving the financing requested in, and authorizing the filing of, this Application.

3. AEPCO seeks Commission approval of (a) its borrowing from the National Rural Utilities Cooperative Finance Corporation ("CFC") of an amount not to exceed \$4.9 million to finance the closure of the inactive Combustion Waste Disposal Facility at its Apache Generating Station ("Apache") and (b) its interim and subsequent permanent borrowing from CFC in an amount not to exceed \$3.5 million and the Federal Financing Bank ("FFB") in an amount not to

1 exceed \$3,050,000, respectively, of funds to finance the construction of a new Low Volume
2 Wastewater Pond at Apache.

3 4. The inactive Combustion Waste Disposal Facility ("CWDF") was constructed by
4 AEPCO in the late 1970s primarily to receive wastes associated with the burning of coal in
5 Steam Units 2 and 3 at Apache. Because of its limited capacity and life, use of that facility was
6 discontinued and a new CWDF was constructed and began operation in the fall of 1995.

7 5. Before AEPCO could proceed with permanent closure of the old CWDF, it had to
8 devise a plan in relation to that facility and obtain an Aquifer Protection Permit ("APP") from the
9 Arizona Department of Environmental Protection ("ADEQ"). The ADEQ issued the APP earlier
10 this year, approving AEPCO's plan as described herein.

11 6. AEPCO's plan is to reclaim and close most of the old CWDF. However, AEPCO
12 still requires a Low Volume Waste Water ("LVWW") evaporation pond for the continued
13 disposal of waste water flows originating from the plant site. These flows range in nature from
14 boiler blow-down water through storm waters to equipment wash waters. To accommodate these
15 needs, AEPCO will construct a new 20-acre LVWW evaporation pond using the northwest
16 corner of the old CWDF for this purpose.

17 7. The Rural Utilities Service ("RUS") does not provide loan funds for the closure of
18 facilities like the CWDF. Therefore, AEPCO has applied for a ten-year unsecured loan from
19 CFC in an amount not to exceed \$4.9 million, which includes approximately \$600,000 for the
20 purchase of required Capital Term Certificates ("CTCs") in conjunction with the loan, to finance
21 the CWDF closure.

22 8. Although funds are available from the RUS/FFB loan program to finance
23 construction of the new LVWW evaporation pond, they cannot be secured in time to meet the
24

1 closure/construction commencement date of June 2005. Therefore, AEPCO has applied to
2 borrow from CFC, on an interim basis, an amount not to exceed \$3.5 million, which includes
3 approximately \$450,000 for the required purchase of CTCs and will replace that interim loan
4 with a permanent FFB loan once available in the approximate amount of \$3,050,000.

5 9. Closure of the CWDF as well as construction of the LVWW evaporation pond is
6 scheduled to commence in June 2005. Therefore, AEPCO would request that the Commission
7 issue its Order approving this financing request by April 1, 2005.

8 WHEREFORE, having fully stated its Application, AEPCO requests that the
9 Commission enter its Order:

10 1. Authorizing AEPCO to borrow an amount not to exceed \$4.9 million from CFC
11 to finance the closure of the CWDF;

12 2. Authorizing AEPCO to secure interim financing from CFC in an amount not to
13 exceed \$3.5 million and thereafter to replace the interim loan with a permanent loan from the
14 FFB in an amount not to exceed \$3,050,000 to finance the construction of the LVWW
15 evaporation pond;

16 3. Authorizing AEPCO to grant liens in its property as required in order to secure
17 the borrowings authorized herein; and

18 4. Authorizing AEPCO to engage in any transactions and to execute any documents
19 to effectuate the authorizations granted.

1 RESPECTFULLY SUBMITTED this 4th day of November, 2004.

2 GALLAGHER & KENNEDY, P.A.

3
4 By Michael M. Grant

5 Michael M. Grant
6 Todd C. Wiley
7 2575 East Camelback Road
8 Phoenix, Arizona 85016-9225
9 Attorneys for Arizona Electric Power
10 Cooperative, Inc.

8 **Original and thirteen copies** of this
9 Application filed this 4th day of
10 November, 2004, with:

10 Docket Control
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, Arizona 85007

14
15
16
17
18
19
20
21
22
23
24
Dei Deasall
10421-39/1227491

EXHIBIT A

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

The following resolution was adopted at a **regular meeting** of the Board of Directors of Arizona Electric Power Cooperative, Inc. (AEPCO), held in Benson, Arizona on March 10, 2004.

RESOLUTION

***WHEREAS**, Arizona Electric Power Cooperative, Inc. (AEPCO) is required to close the old Combustion Waste Disposal Facility (CWDF) located at Apache Station; and*

***WHEREAS**, AEPCO has designed a plan to close the old CWDF and to construct a new Low Volume Wastewater (LVWW) pond using the northwest corner of the old CWDF; and*

***WHEREAS**, AEPCO will include the closure of the old CWDF and construction of the LVWW pond in the 2005-2008 Construction Work Plan; and*

***WHEREAS**, AEPCO is planning to finance the cost of closing the old CWDF through a National Rural Utilities Cooperative Finance Corporation (CFC) 10-year, unsecured loan in an amount not to exceed \$5.0 million; and*

***WHEREAS**, AEPCO is planning to finance the construction costs of the LVWW pond through an interim loan from CFC until permanent financing can be obtained through the Rural Utilities Service (RUS), Federal Financing Bank (FFB) loan program.*

***NOW, THEREFORE BE IT RESOLVED**, that the Board of Directors hereby authorizes Management to file a financing application with National Rural Utilities Cooperative Finance Corporation for an unsecured loan in an amount not to exceed \$4.9 million which includes the estimated capital cost of the CWDF of \$4,295,858, plus a 14.5 percent allocation for the purchase of CFC Capital Term Certificates; and*

***BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes Management to file an unsecured loan application with CFC in an amount not to exceed \$3.5 million which includes the estimated capital cost of the LVWW pond of \$3,047,254, plus a 14.5 percent allocation for the purchase of CFC Capital Term Certificates; and*

***BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes Management to file an application with Rural Utilities Services to obtain permanent financing through Federal Financing Bank for the construction costs of the LVWW pond; and*

***BE IT FURTHER RESOLVED**, that such FFB loan funds, once obtained, shall replace the interim financing acquired from CFC for the LVWW facility; and*

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes Management to file an application with the Arizona Corporation Commission (ACC) seeking regulatory approval to issue long term debt in the amount of \$4.9 million and 3.5 million to fund the closure and reclamation of the CWDF and to provide interim and long term financing for the construction of the LVWW pond respectively; and

BE IT FURTHER RESOLVED, that each of the following individuals whose signatures appear below, be and hereby, are authorized to enter into and execute, in the name and on the behalf of AEPCO, any such agreements and/or amendments to existing agreements necessary or appropriate to give effect to the purposes and intent of the foregoing resolutions:


OFFICER

NAME

SIGNATURE

Executive Vice President & CEO

Donald W. Kimball



Senior Vice President & COO

Mark W. Schwartz



Chief Financial Officer

Dirk C. Minson



I, Lyn R. Borah, do hereby certify that I am Secretary of AEPCO, and that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors at a **regular meeting** held on March 10, 2004.



Secretary

(seal)